A PENNY SAVED IS A PENNY EARNED

Teaching Your Kids About Money

According to the “Parents & Money” survey released by Charles Schwab in March of 2008, 67 percent of parents surveyed thought their teens weren’t interested in learning about personal finance. They were wrong! The same survey discovered that 60 percent of teens consider learning about personal finance a top priority.[1]

But what are the best ways to teach them about money?

Allowance

Paying your children allowance is a great way to start. For kids to understand the value of a dollar, they need to have some money that is their own. Financial experts often suggest that you begin providing allowance when your kids enter kindergarten or when they begin to understand addition and subtraction.

To help kids get the most out of having an allowance, keep these tips in mind:

» Avoid making an allowance payment for household chores. Chores should remain kids’ contribution to the family – that way you can dodge the argument when your children decide to forego their allowance and not take out the recycling.

» Decide which items your child will be responsible for buying and base the allowance amount accordingly. For instance, kids expected to pay for their school supplies should probably receive a higher amount than those whose parents pay for notebooks and pens.

» Choose one day a week that you will give the allowance, and stick to it. Not only will you avoid any confusion on the amount due, you’ll also be modeling the importance of meeting financial obligations in a timely fashion.

Most importantly, once you’ve decided what expenses your child will have to cover, don’t waiver. That way your child will learn to prioritize what he or she wants and set goals to achieve it. And don’t be afraid to let them make mistakes – because that’s another important way of learning.

Savings

The savings rate of the average American household has dropped substantially in the last 30 years. Help your kids buck this trend by setting up a savings schedule:

» For younger kids, consider setting up two jars as receptacles for their allowance. You can then split the allowance into smaller amounts and deposit 20-25% in a savings jar and 75-80% in the other. So, for instance, for every dollar, place quarter in the savings jar.

» For older kids, check out the electronic features offered by your financial institution. You can set up a weekly transfer from your account into two accounts owned by your child – one for savings and one for spending. That way you won’t forget to pay the allowance, and you can watch together online as the savings grow.

In addition to teaching the importance of saving, you might also consider setting aside a third jar or account for charitable contributions. That way you can begin to teach your kids the importance of giving back to society. This habit also gives your child the opportunity to choose an area of interest that may blossom into a meaningful, long-term commitment.

Tips for Adolescents and Teens

As kids’ math skills grow and their wants take on higher price tags, you can to guide them in the more complex aspects of financial responsibility.

Whether it’s helping you balance your checkbook or sitting down together to make online payments, get your kids involved in paying your monthly bills to acquaint them with the process.

» Help your kids understand the importance of sticking to a budget by involving them in household expenditures.

» Consider getting teens ATM/debit cards linked to their bank accounts. With a debit card, once the money runs out in their accounts, transactions will be denied – a good way to teach them controlled spending when putting a transaction “on plastic.”

» Teach your kids about interest rates and set aside time to look over available savings options.

Whether your children are in kindergarten or high school, there’s no time like the present to begin guiding them toward financial success.

(continued)

[1] *Charles Schwab. “Charles Schwab Teens & Money 2007 Survey Findings.” http://www.aboutschwab.com/teensurvey2007.pdf (accessed April 28, 2008).*

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